



CITY OF DUNSMUIR, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT



To the City Council
City of Dunsmuir, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunsmuir, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Dunsmuir, California management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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 the City of Dunsmuir, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2008 on our consideration of City of Dunsmuir, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Dunsmuir, California has not presented *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 27 and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 29 and 30 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
November 19, 2008

City of Dunsmuir

Balance Sheet

and

Reconciliation of Total Governmental Fund Balance to the Statement of Net Assets - Governmental Activities

Governmental Funds

June 30, 2008

	Community Development	Block Grant	Governmental	Governmental	Total
	Fund	Fund	Fund	Fund	Funds
ASSETS					
Cash and investments	\$ 18,472	\$ -	\$ 267,601	\$ 286,073	
Receivables (net of allowance for doubtful accounts, where applicable):					
Loans	-	862,253	868,686	1,730,939	
Intergovernmental	-	51	139,392	139,443	
Assessments and other	65,555	4,803	9,647	80,005	
Due from other funds	147,119	-	2,281	149,400	
Total assets	\$ 231,146	\$ 867,107	\$ 1,287,607	\$ 2,385,860	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 116,701	\$ 4,199	\$ 5,916	\$ 126,816	
Accrued liabilities	11,590	-	-	11,590	
Due to other funds	-	20,204	9,225	29,429	
Deferred revenue	7,721	8,300	-	16,021	
Other	450	-	-	450	
Total liabilities	136,462	32,703	15,141	184,306	
Fund balances:					
Reserved for noncurrent loans receivables and due from other funds	-	867,056	868,686	1,735,742	
Unreserved:					
Designated for:					
Streets and roads	-	-	70,686	70,686	
Public safety	-	-	64,118	64,118	
Community and economic development	-	-	272,438	272,438	
Total	-	-	407,242	407,242	
Undesignated	94,684	(32,652)	(3,462)	58,570	
Total fund balance	94,684	834,404	1,272,466	2,201,554	
Total liabilities and fund balance	\$ 231,146	\$ 867,107	\$ 1,287,607	\$ 2,385,860	
Fund balances 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					
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					
Net assets of governmental activities					
<u>\$ 5,021,133</u>					

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

BASIC FINANCIAL STATEMENTS

City of Dunsmuir
Statement of Net Assets
June 30, 2008

	Governmental	Business-type	Total
ASSETS			
Current assets:			
Cash and investments	\$ 286,073	\$ 1,342,301	\$ 1,628,374
Receivables (net of allowances for bad debts, where applicable):	-	80,990	80,990
Trade accounts	-	-	-
Loans	1,639,912	-	1,639,912
Intergovernmental	139,443	96,032	235,475
Assessments and other	75,202	-	75,202
Internal balances	215,800	(215,800)	-
Total current assets	2,356,430	1,303,523	3,659,953
Restricted assets:			
Cash and investments	-	186,278	186,278
Capital assets:			
Non-depreciable	1,081,800	1,971,819	3,053,619
Depreciable, net	2,017,713	8,106,089	10,123,802
Amortizable, net	-	36,601	36,601
Total capital assets	3,099,513	10,114,509	13,214,022
Total assets	5,455,943	11,604,310	17,060,253
LIABILITIES			
Accounts payable	126,816	52,302	179,118
Accrued liabilities	11,590	15,099	26,689
Deferred revenue	16,021	2,175	18,196
Deposits	-	57,953	57,953
Other	450	-	450
Current portion of long-term debt	27,712	98,790	126,502
Current portion, unpaid pension obligation	50,320	-	50,320
Total current liabilities	232,909	226,319	459,228
Long-term liabilities:			
Long-term debt, net of current portion	117,000	2,183,430	2,300,430
Long-term portion of unpaid pension obligation	84,901	-	84,901
Total long-term liabilities	201,901	2,183,430	2,385,331
Total liabilities	434,810	2,409,749	2,844,559
NET ASSETS			
Invested in capital assets, net of related debt	2,819,580	7,832,289	10,651,869
Restricted	-	186,278	186,278
Unrestricted	2,201,553	1,175,994	3,377,547
Total net assets	\$ 5,021,133	\$ 9,194,561	\$ 14,215,694

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

City of Dunsmuir
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For The Year Ended June 30, 2008

	Community Development	Other	Total
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 259,527	\$ -	\$ 259,527
Sales and use taxes	72,888	-	72,888
Transient occupancy taxes	119,235	-	119,235
Franchise and other licenses	41,411	-	41,411
Assessments	-	25,687	25,687
Licenses and permits	43,033	-	43,033
Intergovernmental revenues	1,057,661	364,426	1,450,987
Charges for services	70,638	-	70,638
Fines, forfeitures and penalties	10,505	-	10,505
Use of money and property	7,719	32,887	41,951
Other	223,791	-	223,829
Total revenues	1,906,408	423,000	2,359,691
EXPENDITURES			
Current:			
City council	4,863	-	4,863
City administrator	73,934	-	73,934
City clerk	4,831	-	4,831
City attorney	7,319	-	7,319
Planning	27,907	-	27,907
Finance and administration	114,101	-	114,101
Building inspection	22,847	-	22,847
Police protection	458,921	-	458,921
Fire protection	98,302	-	98,302
Streets and roads	733,806	113,567	847,373
Buildings and grounds	52,360	-	52,360
Transit assistance	-	16,011	16,011
Health and welfare	1,398	-	1,398
Community promotion	750	-	750
Community and economic development	-	95,419	155,346
Debt service:			
Principal	-	24,367	24,367
Interest	4,195	9,778	13,973
Total expenditures	1,605,534	259,142	1,924,603
Excess of revenues over (under) expenditures	300,874	163,858	435,088
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	80,601	82,351
Operating transfers out	(61,484)	(9,065)	(82,351)
Total other financing sources (uses)	(61,484)	71,536	-
Excess of revenues and other sources over (under) expenditures and other uses	239,390	235,394	435,088
FUND BALANCE			
Beginning of year	(144,706)	1,037,072	1,766,466
End of the year	\$ 94,684	\$ 1,272,466	\$ 2,201,554

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

City of Dunsmuir
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance to the Statement of Activities
 Governmental Funds
 For The Year Ended June 30, 2008

\$ 435,088

Change in fund balance, governmental funds

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. This
 is the amount by which depreciation expense (\$161,775) exceeds
 capital outlays (\$0) in the current period.

(161,775)

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.

24,367

Government funds report repayment of unpaid pension obligations as an expenditure,
 but the repayment reduces a long-term liability in the Statement of Net Assets
 and does not affect the Statement of Activities.

38,752

Other

(72)

Change in net assets of governmental activities

\$ 336,360

City of Dunsuir
Statement of Net Assets
Proprietary Funds
June 30, 2008

Enterprise					
	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
Current assets:					
Cash and investments	\$ 801,503	\$ 265,084	\$ 275,714	\$ -	\$ 1,342,301
Receivables (net of allowances for bad debts, where applicable):	27,136	12,309	41,402	143	80,990
Trade accounts	-	-	-	96,032	96,032
Intergovernmental	6,944	-	-	-	6,944
Due from other funds	835,583	277,393	317,116	96,175	1,526,267
Total current assets:	70,924	-	115,354	-	186,278
Capital assets:					
Non-depreciable	130,000	-	173,060	1,668,759	1,971,819
Depreciable, net	3,450,034	134,257	3,160,573	1,361,225	8,106,089
Amortizable, net	-	-	36,601	-	36,601
Total capital assets, net	3,580,034	134,257	3,370,234	3,029,984	10,114,509
Total assets:	4,486,541	411,650	3,802,704	3,126,159	11,827,054
LIABILITIES					
Current liabilities:					
Accounts payable	13,949	6,483	5,511	26,359	52,302
Accrued liabilities	7,696	2,883	4,313	207	15,099
Due to other funds	-	-	-	126,914	126,914
Deferred revenue	2,175	-	-	-	2,175
Deposits	-	-	57,953	-	57,953
Current portion of long-term debt	27,000	-	71,790	-	98,790
Total current liabilities	50,820	9,366	139,567	153,480	353,233
Long-term liabilities:					
Long-term debt, net of current portion	1,223,000	-	960,430	-	2,183,430
Advances from other funds	-	-	-	95,830	95,830
Total long-term liabilities	1,223,000	-	960,430	95,830	2,279,260
Total liabilities	1,273,820	9,366	1,099,997	249,310	2,632,493
NET ASSETS					
Invested in capital assets, net of related debt	2,330,034	134,257	2,338,014	3,029,984	7,832,289
Restricted for debt service	70,924	-	115,354	-	186,278
Restricted	811,763	268,027	249,339	(153,135)	1,175,994
Total net assets	\$ 3,212,721	\$ 402,284	\$ 2,702,707	\$ 2,876,849	\$ 9,194,561

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

City of Dunsnmuir
 Statement of Revenues, Expenses and Changes in Retained Earnings
 Proprietary Funds
 For The Year Ended June 30, 2008

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
REVENUES					
User fees and charges	\$ 603,248	\$ 432,502	\$ 458,582	\$ -	\$ 1,494,332
Facilities rent	-	-	-	18,284	18,284
Other	-	-	8,784	-	8,784
Total operating revenues	603,248	432,502	467,366	18,284	1,521,400
OPERATING EXPENSES					
Personnel and related expenses	214,176	61,159	127,295	7,302	409,932
Contract services	9,333	169,511	6,623	-	185,467
General and administrative services	168,192	50,619	64,628	11,604	295,043
Repairs and maintenance	2,415	33,268	16,966	135,932	188,581
Materials and supplies	9,535	2,768	58,720	6	71,029
Insurance and permits	15,713	8,948	9,893	5,165	39,719
Depreciation and amortization	148,170	10,782	80,943	127,608	367,503
Total operating expenses	567,534	337,055	365,068	287,617	1,557,274
Operating income (loss)	35,714	95,447	102,298	(269,333)	(35,874)
OTHER REVENUES (EXPENSES)					
Intergovernmental revenues	-	5,000	114,055	418,607	537,662
Interest earned	24,711	7,510	7,592	-	39,813
Interest expense	(55,788)	-	(50,995)	(2,799)	(109,582)
Total other revenues (expenses)	(31,077)	12,510	70,652	415,808	467,893
Change in net assets	4,637	107,957	172,950	146,475	432,019
NET ASSETS					
Beginning of year	3,208,084	294,327	2,529,757	2,730,374	8,762,542
End of the year	\$3,212,721	\$ 402,284	\$2,702,707	\$2,876,849	\$9,194,561

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

City of Dunsuir
 Statement of Cash Flows
 Proprietary Funds
 For The Year Ended June 30, 2008

Enterprise

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 601,085	\$ 431,214	\$ 467,255	\$ 18,148	\$ 1,517,702
Payments to suppliers	(323,813)	(263,090)	(156,987)	(203,055)	(946,945)
Payments to employees	(214,176)	(61,159)	(127,295)	(7,303)	(409,933)
Net cash provided (used) by operating activities	63,096	106,965	182,973	(192,210)	160,824
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	221,916	5,000	500,000	354,991	1,081,907
Interfund transfers and payments	225,789	-	(65,975)	56,914	216,728
Net cash provided by non-capital financing activities	447,705	5,000	434,025	411,905	1,298,635
CASH FLOWS FROM CAPITAL AND RELATED FINANCING					
Purchase of fixed assets	-	(143,837)	(227,553)	(223,144)	(594,534)
Principal payments on debt	(24,000)	-	(66,790)	-	(90,790)
Interest payments on debt	(55,788)	-	(50,996)	-	(106,784)
Net cash (used) by investing activities	(79,788)	(143,837)	(345,339)	(223,144)	(792,108)
Interest income received	24,711	7,510	7,591	-	39,812
Net increase (decrease) in cash	455,724	(24,362)	279,250	(3,449)	707,163
Beginning of the year	416,703	289,446	111,818	3,449	821,416
End of the year	\$ 872,427	\$ 265,084	\$ 391,068	\$ -	\$ 1,528,579
Composed of:					
Cash and investments	\$ 801,503	\$ 265,084	\$ 275,714	\$ -	\$ 1,342,301
Restricted cash and investments	70,924	-	115,354	-	186,278
Total cash and cash investments	\$ 872,427	\$ 265,084	\$ 391,068	\$ -	\$ 1,528,579
Reconciliation of operating income (loss) to cash provided (used) by operating activities:					
Operating income (loss)	\$ 35,714	\$ 95,447	\$ 102,298	\$ (269,333)	\$ (35,874)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	148,170	10,782	80,943	127,608	367,503
(Increase) decrease in trade accounts receivable	(2,163)	(1,288)	1,357	(136)	(2,230)
Increase (decrease) in accounts payable	(118,186)	716	306	(50,556)	(167,220)
Increase (decrease) in accrued liabilities	(439)	1,308	(463)	207	613
(Decrease) in deposits	-	-	(1,468)	-	(1,468)
Net cash provided (used) by operating activities	\$ 63,096	\$ 106,965	\$ 182,973	\$ (192,210)	\$ 160,824

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

City of Dunsuir
 Statement of Fiduciary Net Assets
 Agency Fund - Siskiyou Regional Development Association
 June 30, 2008

	<u>ASSETS</u>
	Cash and investments
	<u>LIABILITIES</u>
	Agency obligations
Agency Fund	
<u>\$ 11,665</u>	
<u>\$ 11,665</u>	

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dunsuir, California (hereafter "the City") operates under a City Administrator – City Council 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 applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The enterprise/proprietary fund types apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 assets 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 assets are available, unrestricted resources are depleted first before the restricted resources are used.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenditure/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 Block Grant (CDBG) 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 for 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 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.

Gas Tax Funds (2106, 2107, 2107.5, 2107SR): 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fire Assessment Fund: Established to account for fire suppression activities, as financed by fire suppression fees levied on property owners.

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

EDBG and CDBG Revolving Loan Funds: Established to account for revolving loans and the monies associated with those loans.

South Dunsuir 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.

The City reports the following Fiduciary Fund:

Siskiyou Regional Development Association Agency Fund: used to account for funds collected from other cities and used by the Association for meetings and economic development activities.

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 assets (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.

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 Assets 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 ("LAIIF"). LAIIF is an external investment pool through which local governments may pool investments. Investments in LAIIF 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 LAIIF is the same as its value of the pool shares. The regulatory oversight of LAIIF 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.

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 \$1,000 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 Assets. 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.

Compensated Absences:

Vacation pay and compensated time off is vested to the employees as it accrues and is payable upon separation of service. Sick leave does not vest to the employees and is paid only when sick leave is taken. Therefore, only vacation pay and compensated time off have been accrued in the accompanying financial statements.

Deferred Revenue

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

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and displayed as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Invested in capital assets, net of related debt, which consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets, which consist of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Unrestricted net assets, which consist of all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

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 nonoperating 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.

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

	Statement of net assets:	
	Current cash and investments	\$ 1,628,374
	Restricted cash and investments	186,278
	Statement of fiduciary net assets	11,665
	Total cash and investments	<u>\$ 1,826,317</u>
	Consisting of the following:	
	Cash on hand	350
	Deposits with financial institutions	259,555
	Investments	<u>1,566,412</u>
		<u>\$ 1,826,317</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.

	Cost	Fair Value	Maturity Date
Local Agency Investment Fund	<u>\$1,285,179</u>	<u>\$1,285,179</u>	200 day average

Disclosure Relating to Credit Risk:

Generally, credit risk is the risk that an issuer if 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.

NOTE 2 CASH AND INVESTMENTS (continued)

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. 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 \$284,265, and differs from the book balance of \$259,555 because of outstanding checks. All of the City's deposits with financial institutions were insured by federal depository insurance.

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, 2008:

	EDBG, CDBG Revolving Loan Funds	CDBG Fund	EDBG Fund	Total
Mortgage loans	\$ 280,991	\$ 862,253	\$ 686,895	\$ 1,830,139
Less allowance for bad debts	-	-	99,200	99,200
Total	\$ 280,991	\$ 862,253	\$ 587,695	\$ 1,730,939

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

The following is a summary of the interfund receivables and payables at June 30, 2008:

Due From	General Fund	Sewer Fund	Gas Tax 2106	Total
Airport Fund	126,914	-	-	126,914
Gas Tax 2107	-	-	2,281	2,281
CDBG	20,205	-	-	20,205
Sewer Assmt. Fund	-	6,944	2,281	6,944
	147,119	6,944	2,281	156,344
Due To				

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 From	General Fund	EDBG	CDBG	Total
Snow Removal	59,734	-	-	59,734
EDBG RLF	-	9,065	-	9,065
CDBG	1,750	-	-	1,750
CDBG RLF	-	-	11,802	11,802
	61,484	9,065	11,802	82,351
Transfer Out From				

Operating transfer from Gas Tax Snow Removal is for snow removal activities in the general fund. Transfers out of CDBG and EDGB into the revolving funds represents loan repayments that are now available in the revolving funds.

City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2008

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

June 30, 2007	Additions and Transfers	Retirements and Transfers	June 30, 2008
\$ 1,081,800	-	-	\$ 1,081,800
71,746	-	(71,746)	-
1,153,546	-	(71,746)	1,081,800
Governmental activities:			
Capital assets, not being depreciated:			
Land			
1,081,800	-	-	1,081,800
Construction in progress			
-	-	-	-
Total capital assets, not being depreciated:			
1,081,800	-	-	1,081,800
Capital assets, being depreciated:			
Buildings			
1,409,864	-	-	1,409,864
Machinery and equipment			
781,530	26,462	-	807,992
Infrastructure			
2,427,204	71,746	-	2,498,950
Total capital assets, being depreciated			
4,618,598	98,208	-	4,716,806
Less accumulated depreciation for:			
Buildings			
1,269,307	9,730	-	1,279,037
Machinery and equipment			
697,517	102,974	(46,563)	753,928
Infrastructure			
544,031	122,097	-	666,128
Total accumulated depreciation			
2,510,855	234,801	(46,563)	2,699,093
Total capital assets, being depreciated, net			
2,107,743	(136,593)	46,563	2,017,713
Subtotal, governmental activities			
3,261,289	(136,593)	(25,183)	3,099,513
Business-type activities:			
Capital assets, not being depreciated:			
Land			
1,601,677	116,831	-	1,718,508
Construction in progress			
1,867,512	268,177	(1,882,378)	253,311
Total capital assets, not being depreciated			
3,469,189	385,008	(1,882,378)	1,971,819
Capital assets, being depreciated:			
Utility plant			
6,168,260	1,486,761	-	7,655,021
Buildings			
176,456	64,410	-	240,866
Improvements not buildings			
2,238,768	157,895	-	2,396,663
Machinery and equipment			
619,518	286,629	(165,061)	741,086
Total capital assets, being depreciated			
9,203,002	1,995,695	(165,061)	11,033,636

City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2008

NOTE 5 CAPITAL ASSETS (continued)

	June 30, 2007	Additions and Transfers	Retirements and Transfers	June 30, 2008
Less accumulated depreciation for:				
Utility plant	1,618,931	152,873	-	1,771,804
Buildings	48,623	4,028	-	52,651
Improvements not buildings	631,800	134,160	-	765,960
Machinery and equipment	426,293	70,700	(159,861)	337,132
Total accumulated depreciation	2,725,647	361,761	(159,861)	2,927,547
Total capital assets, being depreciated, net	6,477,355	1,633,934	(5,200)	8,106,089
Capital assets being amortized:				
Organization costs	109,530	-	-	109,530
Less accumulated amortization for:				
Organization costs	67,187	5,742	-	72,929
Total capital assets, being amortized, net	42,343	(5,742)	-	36,601
Subtotal, business-type activities	9,988,887	2,013,200	(1,887,578)	10,114,509
Total, government-wide	13,250,176	1,876,607	(1,912,761)	13,214,022

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	\$ 14,826
General government	8,581
Public safety	138,368
Streets and roads	\$ 161,775
Total depreciation expense – governmental activities	\$ 161,775

NOTE 6 LONG TERM DEBT

The following is a summary of Governmental activities long-term liabilities activity during the year ended June 30, 2008:

	June 30, 2007	Additions	Reductions	June 30, 2008	Current Portion
Bonds and notes payable:					
Fire Fund, equipment	\$ 47,079	\$ -	\$ 22,367	\$ 24,712	\$ 24,712
So. Dunsmuir Sewer Assessment, system	122,000	-	2,000	120,000	3,000
Total bonds and notes payable	169,079	-	24,367	144,712	27,712
Other liabilities:					
Unpaid pension obligation, prior public	173,973	11,568	50,320	135,221	50,320
Safety	-	-	-	-	-
Total Governmental activities	\$ 343,052	\$ 11,568	\$ 74,687	\$ 279,933	\$ 78,032

**City Dunsnmuir, California
Notes To Basic Financial Statements
June 30, 2008**

The Fire Fund equipment note is secured by fire equipment with a cost of \$190,850, and a carrying value of \$0 (fully depreciated).

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the Fire and South Dunsnmuir Sewer Assessment District Funds. The unpaid pension obligation will be liquidated by the General Fund. The unpaid pension obligation relates to the City's former police department, which is no longer in existence. Debt service requirements for principal and interest for Governmental bonds and notes payable for future years is as follows:

Year Ended June 30, ;	Fire Fund, Equipment		So. Dunsnmuir Sewer Assessment		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	24,712	1,361	3,000	7,200	27,712	8,561
2010	-	-	3,000	7,020	3,000	7,020
2011	-	-	3,000	6,840	3,000	6,840
2012	-	-	3,000	6,660	3,000	6,660
2013	-	-	3,000	6,480	3,000	6,480
2014-2018	-	-	19,000	29,340	19,000	29,340
2019-2023	-	-	26,000	22,800	26,000	22,800
2024-2028	-	-	35,000	14,040	35,000	14,040
2029-2033	-	-	25,000	28,000	25,000	28,000
Total	\$ 24,712	\$ 1,361	\$ 120,000	\$ 128,380	\$ 144,712	\$ 129,741

The following is a summary of Business-type activities long-term liabilities activity during the year ended June 30, 2008:

	June 30, 2007	Additions	Reductions	June 30, 2008	Current Portion
Bonds and notes payable:					
1974 Sewer Revenue Bonds	\$ 68,000	\$ -	\$ 8,000	\$ 60,000	\$ 9,000
1994 Sewer Improvement Certificates of Participation	453,000	-	8,000	445,000	9,000
2007 USDA Sewer Loan	753,000	-	8,000	745,000	9,000
Total sewer fund	1,274,000	-	24,000	1,250,000	27,000
2000 Water Certificates of Participation	535,000	-	55,000	480,000	60,000
1994 Water Improvement Certificates of Participation	511,000	-	9,000	502,000	9,000
2005 Water System Loan	53,010	-	2,790	50,220	2,790
Total water fund	1,099,010	-	66,790	1,032,220	71,790
Total Business-type activities long term liabilities	\$ 2,373,010	\$ -	\$ 90,790	\$ 2,282,220	\$ 98,790

City of Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2008

NOTE 6 LONG TERM DEBT (continued)

Payments on the bonds and notes payable that pertain to the City's business-type activities are made by the Water and Sewer Funds.

Debt service requirements for principal and interest for Business-type activities bonds and notes payable for future years is as follows:

Year Ended June 30, ;	1974 Sewer Revenue Bonds	1994 Sewer Certificates of Participation	2007 USDA Sewer Loan
Interest rate	5.00%	4.50%	4.25%
Maturity date	November 1, 2013	May 1, 2035	May 1, 2046
Principal	Interest	Principal	Interest
2009	\$3,000	\$9,000	\$9,000
2010	2,550	9,000	9,000
2011	2,100	10,000	9,000
2012	1,660	10,000	9,000
2013	1,100	11,000	10,000
2014-2018	11,000	59,000	55,000
2019-2023	-	75,000	68,000
2024-2028	-	93,000	83,000
2029-2033	-	115,000	103,000
2033-2038	-	54,000	124,000
2039-2043	-	-	156,000
2044-2047	-	-	110,000
Total	\$60,000	\$445,000	\$745,000
		\$325,785	\$735,533

Year Ended June 30, ;	2000 Water Certificates of Participation	1994 Water Improvement Certificates of Participation	2005 Water System Loan
Interest rate	4.350 - 5.125%	5.13%	Not applicable
Maturity date	August 14, 2014	May 1, 2035	July, 1 2026
Principal	Interest	Principal	Interest
2009	\$60,000	\$9,000	\$2,790
2010	60,000	10,000	2,790
2011	65,000	10,000	2,790
2012	70,000	11,000	2,790
2013	70,000	11,000	2,790
2014-2018	155,000	67,000	13,950
2019-2023	-	86,000	13,950
2024-2028	-	110,000	8,370
2029-2033	-	142,000	-
2033-3038	-	46,000	-
Total	\$480,000	\$502,000	\$50,220
		\$425,631	

**City Dunsмур, California
Notes To Basic Financial Statements
June 30, 2008**

NOTE 6 LONG TERM DEBT (continued)

Total		Year Ended June 30, :
Principal	Interest	
\$ 98,790	\$ 102,235	2009
\$ 99,790	\$ 97,716	2010
\$ 106,790	\$ 92,965	2011
\$ 112,790	\$ 87,838	2012
\$ 115,790	\$ 92,442	2013
\$ 360,950	\$ 343,588	2014-2018
\$ 242,950	\$ 281,775	2019-2023
\$ 294,370	\$ 228,822	2024-2028
\$ 360,000	\$ 154,551	2029-2033
\$ 224,000	\$ 74,289	2034-2038
\$ 156,000	\$ 37,145	2039-2043
\$ 110,000	\$ 3,003	2044-2046
\$ 2,282,220	\$ 1,596,369	Total

NOTE 7 PENSION PLAN

Plan Description – The City's defined benefit pension plan, City of Dunsмур Pension Plan ("the Plan") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency Public Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Funding Policy – Active plan members of the Plan are required to contribute 7.10% of their annual covered salary. The City has elected to pay the employees' contribution. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2008 was 7.00%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost – For the year ended June 30, 2008 the City's annual pension cost was \$25,310, which is also the amount the City contributed. The required contribution for the year ended June 30, 2008 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, and; (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization

period at June 30, 2005 was 30 years. The City also paid the employees contributions, which totaled \$23,323 for the year ended June 30, 2008.

Three Year Trend Information:

	June 30, 2008	June 30, 2007	June 30, 2006
Annual Pension Cost (APC)	\$ 25,310	\$ 26,621	\$ 25,303
Percentage APC contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -

During the year ended June 30, 2003, CalPERS grouped all small employers (defined as those with less than 100 members in the Plan) into a risk pool. Therefore, information for the years ended June 30, 2006 and 2005 (the latest available) are for the pool as a whole.

Schedule of funding progress:

	June 30, 2006	June 30, 2005	June 30, 2004
Actuarial value of assets	\$2,492,226,176	\$2,588,713,000	\$2,460,944,656
Actuarial accrued liability (AAL) - entry age	\$2,754,396,608	\$2,891,460,651	\$2,746,095,688
Unfunded (overfunded) AAL (UAAL)	\$ 262,170,432	\$ 302,747,651	\$ 285,151,012
Funded ratio	90.5%	89.5%	89.6%
Covered payroll	\$ 699,897,835	\$ 755,046,679	\$ 743,691,970
UAAL as a percentage of covered payroll	37.5%	40.1%	38.3%

The City also has an unfunded pension obligation that relates to the City's former police department, which is no longer in existence. See Note 6.

NOTE 8 SELF-INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE), a general liability shared risk pool. 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 9 DEFICIT FUND BALANCE

At June 30, 2008 the South Dunsmuir Sewer Assessment Fund had a deficit fund balance of \$3,462. The City expects the deficits to be cleared in future years with the revenues of normal operations, transfers in from other funds and/or a reduction in services.

NOTE 10 RESTRICTED NET ASSETS

Restricted net assets are net assets whose use are 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 assets at June 30, 2008 for business activities were restricted for debt service.

NOTE 11 RESERVED AND DESIGNATED FUND BALANCES

Fund balances, which are not available for appropriation or are not considered expendable available financial resources are reserved. Unreserved fund balances that have been earmarked for specified purposes are considered designated.

Reserved fund balances consist of amounts reserved for noncurrent loan receivables and noncurrent due from other funds.

Unreserved, designated fund balances are designated for fund purpose.

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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Dunsmuir
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 226,103	\$ 268,911	\$ 259,527	\$ (9,384)
Sales and use taxes	71,098	69,299	72,888	3,589
Transient occupancy taxes	95,272	138,611	119,235	(19,376)
Franchise and other licenses	42,757	37,896	41,411	3,515
Licenses and permits	93,630	60,233	43,033	(17,200)
Intergovernmental revenues	610,411	991,794	1,057,661	65,867
Charges for services	34,872	40,820	70,638	29,818
Fines, forfeitures and penalties	16,546	10,048	10,505	457
Use of money and property	7,840	6,432	7,719	1,287
Other	270,634	243,647	223,791	(19,856)
Total revenues	1,469,163	1,867,691	1,906,408	38,717
EXPENDITURES				
Current:				
City council	7,533	4,843	4,863	(20)
City administrator	76,084	72,062	73,934	(1,872)
City clerk	5,987	4,460	4,831	(371)
City attorney	21,294	10,507	7,319	3,188
Planning	38,571	27,387	27,907	(520)
Finance and administration	135,232	135,218	114,101	21,117
Building inspection	30,222	30,232	22,847	7,385
Police protection	494,309	484,661	458,921	25,740
Fire protection	92,519	94,488	98,302	(3,814)
Streets and roads	481,926	711,083	733,806	(22,723)
Buildings and grounds	61,254	62,977	52,360	10,617
Health and welfare	2,094	1,290	1,398	(108)
Community promotion	5,000	5,750	750	5,000
Debt service:				
Interest	7,000	5,400	4,195	1,205
Total expenditures	1,459,325	1,650,358	1,605,534	44,824
Excess of revenues over (under) expenditures	9,838	217,333	300,874	83,541
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	(7,000)	(30,000)	(61,484)	(31,484)
Total other financing sources (uses)	(7,000)	(30,000)	(61,484)	(31,484)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 2,838	\$ 187,333	\$ 239,390	\$ 52,057

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

City of Dunsmuir
 Budgetary Comparison Schedule
 Community Development Block Grant Fund
 For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ 330	\$ 73,317	\$ 28,900	\$ (44,417)
Use of money and property	12,114	1,069	1,345	276
Other	-	38	38	-
Total revenues	<u>12,444</u>	<u>74,424</u>	<u>30,283</u>	<u>(44,141)</u>
EXPENDITURES				
Current:				
Community and economic development	8,612	107,962	59,927	48,035
Excess of revenues over (under) expenditures	3,832	(33,538)	(29,644)	3,894
OTHER FINANCING (USES)				
Operating transfers in	-	28,150	1,750	(26,400)
Operating transfers out	(14,900)	(17,259)	(11,802)	5,457
Total other financing sources (uses)	<u>(14,900)</u>	<u>10,891</u>	<u>(10,052)</u>	<u>(20,943)</u>
Excess of revenues over expenditures and other uses	<u>\$ (11,068)</u>	<u>\$ (22,647)</u>	<u>\$ (39,696)</u>	<u>\$ (17,049)</u>

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

SUPPLEMENTARY INFORMATION

City of Dunsnmuir
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

		Special Revenue													
		Local Transportation Fund	2105 Gas Tax Fund	2106 Gas Tax Fund	2107 Gas Tax Fund	2107.5 Gas Tax Fund	2107 SR Gas Tax Fund	Fire Assessment Fund	EDBG Fund	EDBG Revolving Loan Fund	CDBG Revolving Loan Fund	South Dunsnmuir Sewer Assessment Fund	Total		
ASSETS															
Cash		\$ 18,104	\$ 1,179	\$ 1,739	\$ -	\$ 1,643	\$ 1,135	\$ 57,953	\$ 37,150	\$ 53,332	\$ 95,366	\$ -	\$ 267,601		
Receivables:															
Loans (net of allowance for doubtful accounts)		-	-	-	-	-	-	-	587,695	149,162	131,829	-	868,686		
Intergovernmental		38,264	3,694	4,723	-	1,000	-	-	86,725	-	-	-	139,392		
Assessments		-	-	-	-	-	-	6,165	-	-	-	3,482	9,647		
Due from other funds		-	-	2,281	-	-	-	-	-	-	-	-	2,281		
Total assets		<u>\$ 56,368</u>	<u>\$ 4,873</u>	<u>\$ 8,743</u>	<u>\$ 4,986</u>	<u>\$ 2,643</u>	<u>\$ 1,135</u>	<u>\$ 64,118</u>	<u>\$ 711,570</u>	<u>\$ 202,494</u>	<u>\$ 227,195</u>	<u>\$ 3,482</u>	<u>\$ 1,287,607</u>		
LIABILITIES AND EQUITY															
Liabilities:															
Accounts payable		\$ 8	\$ 61	\$ 1,872	\$ 2,705	\$ -	\$ 1,135	\$ -	\$ 135	\$ -	\$ -	\$ -	\$ 5,916		
Due to other funds		-	-	-	2,281	-	-	-	-	-	-	6,944	9,225		
Total liabilities		<u>8</u>	<u>61</u>	<u>1,872</u>	<u>4,986</u>	<u>-</u>	<u>1,135</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>-</u>	<u>6,944</u>	<u>15,141</u>		
Equity:															
Fund balance (deficit):		-	-	-	-	-	-	-	587,695	149,162	131,829	-	868,686		
Reserved for noncurrent receivables		-	-	-	-	-	-	-	-	-	-	-	-		
Undesignated:															
Designated for:															
Streets and roads		56,360	4,812	6,871	-	2,643	-	64,118	123,740	53,332	95,366	-	70,686		
Public safety		-	-	-	-	-	-	-	-	-	-	-	64,118		
Community and economic development		-	-	-	-	-	-	-	-	-	-	-	272,438		
Total		<u>56,360</u>	<u>4,812</u>	<u>6,871</u>	<u>-</u>	<u>2,643</u>	<u>-</u>	<u>64,118</u>	<u>123,740</u>	<u>53,332</u>	<u>95,366</u>	<u>-</u>	<u>407,242</u>		
Undesignated		-	-	-	-	-	-	-	-	-	-	-	(3,482)		
Total equity		<u>56,360</u>	<u>4,812</u>	<u>6,871</u>	<u>-</u>	<u>2,643</u>	<u>-</u>	<u>64,118</u>	<u>711,435</u>	<u>202,494</u>	<u>227,195</u>	<u>(3,482)</u>	<u>1,272,466</u>		
Total liabilities and equity		<u>\$ 56,368</u>	<u>\$ 4,873</u>	<u>\$ 8,743</u>	<u>\$ 4,986</u>	<u>\$ 2,643</u>	<u>\$ 1,135</u>	<u>\$ 64,118</u>	<u>\$ 711,570</u>	<u>\$ 202,494</u>	<u>\$ 227,195</u>	<u>\$ 3,482</u>	<u>\$ 1,287,607</u>		

City of Dunsmuir
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 For The Year Ended June 30, 2008

	Special Revenue											
	Local Transportation Fund	2105 Gas Tax Fund	2106 Gas Tax Fund	2107 Gas Tax Fund	2107.5 Gas Tax Fund	2107 SR Gas Tax Fund	File Assessment Fund	EDBG Fund	EDBG Revolving Loan Fund	CDBG Revolving Loan Fund	South Dunsmuir Sewer Assessment Fund	Total
REVENUES												
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,687	\$ -	\$ -	\$ -	\$ -	\$ 25,687
Intergovernmental revenues	54,274	11,357	14,269	15,198	1,000	7,241	2,761	17,874	7,628	3,191	9,512	364,426
Use of money and property	626	159	440	40	45	123	28,448	269,449	7,628	3,191	-	32,887
Total revenues	\$ 54,900	\$ 11,516	\$ 14,709	\$ 15,238	\$ 1,045	\$ 7,364	\$ 28,448	\$ 269,449	\$ 7,628	\$ 3,191	\$ 9,512	\$ 423,000
EXPENDITURES												
Current:												
Streets and roads	4,746	9,027	18,081	14,615	-	67,098	-	-	-	-	-	113,567
Transit assistance	16,011	-	-	-	-	-	-	-	-	496	-	16,011
Community and economic development	-	-	-	-	-	-	-	94,923	-	-	-	94,923
Debt service:												
Principal	-	-	-	-	-	-	22,367	-	-	-	2,000	24,367
Interest	-	-	-	-	-	-	2,458	-	-	-	7,320	9,778
Total expenditures	20,757	9,027	18,081	14,615	-	67,098	24,825	94,923	-	496	9,320	259,142
Excess of revenues over (under) expenditures	34,143	2,489	(3,372)	623	1,045	(59,734)	3,623	174,526	7,628	2,695	192	163,858
OTHER FINANCING SOURCES (USES)												
Operating transfers in	-	-	-	-	-	-	-	(9,065)	9,065	11,802	-	80,601
Operating transfers out	-	-	-	-	-	-	-	(9,065)	-	-	-	(9,065)
Total other financing sources (uses)	-	-	-	-	-	-	-	(9,065)	9,065	11,802	-	71,536
Excess of revenues and other sources over (under) expenditures and other uses	34,143	2,489	(3,372)	623	1,045	(59,734)	3,623	165,461	16,693	14,497	192	235,394
FUND BALANCE												
Beginning of year	22,217	2,323	10,243	(623)	1,598	-	60,495	545,974	185,801	212,698	(3,654)	1,037,072
End of the year	\$ 56,360	\$ 4,812	\$ 6,871	\$ -	\$ 2,643	\$ -	\$ 64,118	\$ 711,435	\$ 202,494	\$ 227,195	\$ (3,462)	\$ 1,272,466