



CITY OF DUNSMUIR, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009

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Aiello, Goodrich & Teuscher
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
November 10, 2009

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.

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.

The City of Dunsuir, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009 on our consideration of City of Dunsuir, 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.

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.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and fiduciary fund type of the City of Dunsuir, California, as of June 30, 2009, 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 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, the aggregate remaining fund information, and fiduciary fund type of the City of Dunsuir, California, as of June 30, 2009, 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.

To the City Council
City of Dunsuir, California

INDEPENDENT AUDITORS' REPORT

Certified Public Accountants **Aiello, Goodrich & Teuscher** An Accountancy Corporation Management Consultants



BASIC FINANCIAL STATEMENTS

City of Dunsmuir
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 372,628	\$ 1,435,600	\$ 1,808,228
Receivables (net of allowances for bad debts, where applicable):	-	84,920	84,920
Trade accounts	1,675,798	-	1,675,798
Loans	151,698	54,727	206,425
Intergovernmental	9,218	-	9,218
Assessments and other	90,453	(90,453)	-
Internal balances	2,299,795	1,484,794	3,784,589
Total current assets	5,263,918	11,819,324	17,083,242
Restricted assets:			
Cash and investments	-	185,976	185,976
Capital assets:			
Non-depreciable	1,084,360	2,144,774	3,229,134
Depreciable, net	1,879,763	7,972,921	9,852,684
Amortizable, net	-	30,859	30,859
Total capital assets	2,964,123	10,148,554	13,112,677
Total assets	5,263,918	11,819,324	17,083,242
LIABILITIES			
Accounts payable	115,462	23,021	138,483
Accrued liabilities	11,736	17,888	29,624
Deferred revenue	5,530	2,175	7,705
Deposits	-	55,326	55,326
Other	1,450	-	1,450
Current portion of long-term debt	3,000	99,790	102,790
Current portion, unpaid pension obligation	50,320	-	50,320
Total current liabilities	187,498	198,200	385,698
Long-term liabilities:			
Long-term debt, net of current portion	114,000	2,085,640	2,199,640
Long-term portion of unpaid pension obligation	43,147	-	43,147
Total long-term liabilities	157,147	2,085,640	2,242,787
Total liabilities	344,645	2,283,840	2,628,485
NET ASSETS			
Invested in capital assets, net of related debt	2,847,123	7,963,124	10,810,247
Restricted	-	185,976	185,976
Unrestricted	2,072,150	1,386,384	3,458,534
Total net assets	\$ 4,919,273	\$ 9,535,484	\$ 14,454,757

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

City of Dunsmuir
Statement of Activities
Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- Type Activities	Total
Governmental activities:						
General government	\$ 326,025	\$ 30,951	\$ -	\$ -	\$ (295,074)	\$ (295,074)
Health and welfare	2,435	-	-	-	(2,435)	(2,435)
Sanitation	7,110	8,600	-	-	1,490	1,490
Public safety	547,566	53,031	310,442	-	(184,093)	(184,093)
Streets and roads	818,474	-	569,443	-	(249,031)	(249,031)
Community promotion	5,323	-	76,996	-	71,673	71,673
Community and economic development	197,496	-	2,224	-	(195,272)	(195,272)
Total governmental activities	1,904,429	92,582	959,105	-	(852,742)	(852,742)
Business-type activities:						
Sewer	630,253	597,830	-	-	(32,423)	(32,423)
Solid waste	375,121	428,769	5,000	-	58,648	58,648
Water	429,624	364,436	-	-	(65,188)	(65,188)
Airport	239,320	15,260	-	-	251,758	251,758
Total business-type activities	1,674,318	1,406,295	5,000	475,818	212,795	212,795
Total primary government	\$3,578,747	\$1,498,877	\$ 964,105	\$ 475,818	(852,742)	(639,947)
General revenues:						
Taxes:						
Property					272,938	272,938
Sales					66,259	66,259
Other					165,820	165,820
Investment earnings					27,441	27,441
Other					218,424	218,424
Total general revenues					750,882	750,882
Change in net assets					(101,860)	340,923
Net assets, beginning					5,021,133	9,194,561
Net assets, ending					\$4,919,273	\$ 9,535,484
						\$14,454,757

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

City of Dunsmuir
Balance Sheet
and

Reconciliation of Total Governmental Fund Balance to the Statement of Net Assets - Governmental Activities
Governmental Funds
June 30, 2009

	Community Development Block Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 42,396	\$ 330,232	\$ 372,628
Receivables (net of allowance for doubtful accounts, where applicable):			
Loans	-	821,099	1,675,798
Intergovernmental	85,229	15,560	151,698
Assessments and other	459	8,708	9,218
Due from other funds	184,292	-	184,292
Total assets	\$ 312,376	\$ 1,175,599	\$ 2,393,634
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 109,292	\$ 6,170	\$ 115,462
Accrued liabilities	11,736	-	11,736
Due to other funds	-	10,483	93,839
Deferred revenue	5,530	-	5,530
Other	1,450	-	1,450
Total liabilities	128,008	16,653	228,017
Fund balances:			
Reserved for noncurrent loans receivables and due from other funds	-	821,099	1,675,798
Unreserved:			
Streets and roads	-	62,972	62,972
Public safety	-	51,824	51,824
Community and economic development	-	228,022	228,022
Total	-	342,818	342,818
Undesignated	184,368	(4,971)	147,001
Total fund balance	184,368	1,158,946	2,165,617
Total liabilities and fund balance	\$ 312,376	\$ 1,175,599	\$ 2,393,634

Total governmental fund balance, as above 2,165,617

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 2,964,123

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (210,467)

Net assets of governmental activities \$ 4,919,273

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, 2009

	Community Development	Block Grant	Other Governmental	Total Governmental
REVENUES				
Property taxes	\$ 272,938	\$ -	\$ -	\$ 272,938
Sales and use taxes	66,259	-	-	66,259
Transient occupancy taxes	110,953	-	-	110,953
Franchise and other licenses	54,867	-	-	54,867
Assessments	-	-	34,493	34,493
Licenses and permits	25,958	-	-	25,958
Intergovernmental revenues	745,506	76,996	136,603	959,105
Charges for services	25,525	-	-	25,525
Fines, forfeitures and penalties	6,606	-	-	6,606
Use of money and property	11,249	1,371	14,821	27,441
Other	218,371	53	-	218,424
Total revenues	1,538,232	78,420	185,917	1,802,569
EXPENDITURES				
Current:				
City council	2,007	-	-	2,007
City administrator	72,168	-	-	72,168
City clerk	6,926	-	-	6,926
City attorney	5,164	-	-	5,164
Planning	27,709	-	-	27,709
Finance and administration	123,092	-	-	123,092
Building inspection	21,200	-	-	21,200
Police protection	477,407	-	-	477,407
Fire protection	109,293	-	-	109,293
Streets and roads	516,363	-	-	639,837
Buildings and grounds	53,379	-	-	53,379
Transit assistance	-	-	41,278	41,278
Health and welfare	2,435	-	-	2,435
Community promotion/historical district	5,323	-	-	5,323
Community and economic development	-	85,146	112,350	197,496
Capital outlay	4,115	-	14,742	18,857
Debt service:				
Principal	-	-	27,701	27,701
Interest	-	-	7,234	7,234
Total expenditures	1,426,581	85,146	326,779	1,838,506
Excess of revenues over (under) expenditures	111,651	(6,726)	(140,862)	(35,937)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	36,417	36,417
Operating transfers out	(21,967)	(5,375)	(9,075)	(36,417)
Total other financing sources (uses)	(21,967)	(5,375)	27,342	-
Excess of revenues and other sources over (under) expenditures and other uses	89,684	(12,101)	(113,520)	(35,937)
FUND BALANCE				
Beginning of year	94,684	834,404	1,272,466	2,201,554
End of the year	\$ 184,368	\$ 822,303	\$ 1,158,946	\$ 2,165,617

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, 2009

	Change in fund balance, governmental funds	\$ (35,937)
	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 (\$154,247) exceeds		
capital outlays (\$18,857) in the current period.		(135,390)
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.		27,701
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.		41,754
Other		12
Change in net assets of governmental activities		<u>\$ (101,860)</u>

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

City of Dunsmuir
 Statement of Net Assets
 Proprietary Funds
 June 30, 2009

Enterprise

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 879,532	\$ 348,781	\$ 207,287	\$ -	\$ 1,435,600
Receivables (net of allowances for bad debts, where applicable):					
Trade accounts	31,589	16,026	37,305	-	84,920
Intergovernmental	-	-	-	54,727	54,727
Due from other funds	7,658	-	-	-	7,658
Total current assets	918,779	364,807	244,592	54,727	1,582,905
Restricted assets:					
Cash and investments	71,078	-	114,898	-	185,976
Capital assets:					
Non-depreciable	130,000	-	166,831	1,847,943	2,144,774
Depreciable, net	3,222,501	106,526	3,115,773	1,428,121	7,972,921
Amortizable, net	-	-	30,859	-	30,859
Total capital assets, net	3,452,501	106,526	3,313,463	3,276,064	10,148,554
Total assets	4,442,358	471,333	3,672,953	3,330,791	11,917,435
LIABILITIES					
Current liabilities:					
Accounts payable	6,403	7,406	8,526	686	23,021
Accrued liabilities	9,462	2,960	5,184	282	17,888
Due to other funds	-	-	-	98,111	98,111
Deferred revenue	2,175	-	-	-	2,175
Deposits	27,000	-	72,790	-	99,790
Current portion of long-term debt	45,040	10,366	141,826	99,079	296,311
Long-term liabilities:					
Long-term debt, net of current portion	1,197,000	-	888,640	-	2,085,640
Total liabilities	1,242,040	10,366	1,030,466	99,079	2,381,951
NET ASSETS					
Invested in capital assets, net of related debt	2,228,501	106,526	2,352,033	3,276,064	7,963,124
Restricted for debt service	71,078	-	114,898	-	185,976
Unrestricted	900,739	354,441	175,556	(44,352)	1,386,384
Total net assets	\$ 3,200,318	\$ 460,967	\$ 2,642,487	\$ 3,231,712	\$ 9,535,484

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

City of Dunsmuir
 Statement of Revenues, Expenses and Changes in Retained Earnings
 Proprietary Funds
 For The Year Ended June 30, 2009

Enterprise

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
REVENUES					
User fees and charges	\$ 597,830	\$ 428,769	\$ 364,436	\$ 4,855	\$1,395,890
Facilities rent	-	-	-	10,405	10,405
Other	-	-	3,584	103,105	106,689
Total operating revenues	597,830	428,769	368,020	118,365	1,512,984
OPERATING EXPENSES					
Personnel and related expenses	223,295	65,416	134,907	6,904	430,522
Contract services	12,348	178,619	5,315	-	196,282
General and administrative services	123,856	58,785	58,888	14,616	256,145
Repairs and maintenance	35,455	7,362	23,219	33,052	99,088
Materials and supplies	10,157	31,385	9,116	-	50,658
Insurance and permits	28,362	4,268	9,261	4,606	46,497
Depreciation and amortization	142,093	29,286	140,967	180,142	492,488
Total operating expenses	575,566	375,121	381,673	239,320	1,571,680
Operating income (loss)	22,264	53,648	(13,653)	(120,955)	(58,696)
OTHER REVENUES (EXPENSES)					
Intergovernmental revenues	-	5,000	-	475,818	480,818
Interest earned	20,020	35	1,384	-	21,439
Interest expense	(54,687)	-	(47,951)	-	(102,638)
Total other revenues (expenses)	(34,667)	5,035	(46,567)	475,818	399,619
Change in net assets	(12,403)	58,683	(60,220)	354,863	340,923
NET ASSETS					
Beginning of year	3,212,721	402,284	2,702,707	2,876,849	9,194,561
End of the year	\$3,200,318	\$ 460,967	\$2,642,487	\$3,231,712	\$9,535,484

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, 2009

Enterprise

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 592,663	\$ 425,052	\$ 369,490	\$ 22,678	\$ 1,409,883
Payments to suppliers	(217,724)	(279,496)	(102,784)	(77,872)	(677,876)
Payments to employees	(221,529)	(65,339)	(134,036)	(6,904)	(427,808)
Net cash provided (used) by operating activities	153,410	80,217	132,670	(62,098)	304,199
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Intergovernmental revenues	-	5,000	-	517,123	522,123
Interfund transfers and payments	-	-	-	(28,803)	(28,803)
Net cash provided by non-capital financing activities	-	5,000	-	488,320	493,320
CASH FLOWS FROM CAPITAL AND RELATED FINANCING					
Purchase of fixed assets	(14,560)	(1,555)	(84,196)	(426,222)	(526,533)
Principal payments on debt	(26,000)	-	(70,790)	-	(96,790)
Interest payments on debt	(54,687)	-	(47,951)	-	(102,638)
Net cash (used) by investing activities	(95,247)	(1,555)	(202,937)	(426,222)	(725,961)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	20,020	35	1,384	-	21,439
Net increase (decrease) in cash	78,183	83,697	(68,883)	-	92,997
Beginning of the year	872,427	265,084	391,068	-	1,528,579
End of the year	\$ 950,610	\$ 348,781	\$ 322,185	\$ -	\$ 1,621,576
Comprised of:					
Cash and investments	\$ 879,532	\$ 348,781	\$ 207,287	\$ -	\$ 1,435,600
Restricted cash and investments	71,078	-	114,898	-	185,976
Total cash and cash investments	\$ 950,610	\$ 348,781	\$ 322,185	\$ -	\$ 1,621,576
Reconciliation of operating income (loss) to cash provided (used) by operating activities:					
Operating income (loss)	\$ 22,264	\$ 53,648	\$ (13,653)	\$ (120,955)	\$ (58,696)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
(Increase) decrease in trade accounts receivable	142,093	29,286	140,967	180,142	492,488
(Increase) decrease in due to other funds receivable	(4,453)	(3,717)	4,097	143	(3,930)
(Increase) decrease in accounts payable	(7,546)	923	3,015	(25,673)	(29,281)
Increase (decrease) in accrued liabilities	1,766	77	871	75	2,789
(Decrease) in deposits	-	-	(2,627)	-	(2,627)
(Decrease) in other operating activities	-	-	-	(95,830)	(95,830)
Net cash provided (used) by operating activities	\$ 153,410	\$ 80,217	\$ 132,670	\$ (62,098)	\$ 304,199

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

City of Dunsmuir
 Statement of Fiduciary Net Assets
 Agency Fund - Siskiyou Regional Development Association
 June 30, 2009

	<u>ASSETS</u>
	Cash and investments
	<u>LIABILITIES</u>
	Agency obligations
Agency Fund	
<u>\$ 11,924</u>	
<u>\$ 11,924</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 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 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.

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

City Dunsnmuir, California
Notes To Basic Financial Statements
June 30, 2009

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, 2009 are classified in the accompanying financial statements as follows:

	Statement of net assets:	
	Current cash and investments	\$ 1,808,228
	Restricted cash and investments	185,976
	Statement of fiduciary net assets	<u>11,924</u>
	Total cash and investments	<u>\$ 2,006,128</u>
	Consisting of the following:	
	Cash on hand	\$ 350
	Deposits with financial institutions	564,942
	Investments	<u>1,440,836</u>
		<u>\$ 2,006,128</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.

	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Local Agency Investment Fund	<u>\$1,440,836</u>	<u>\$1,440,836</u>	235 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 \$576,213, and differs from the book balance of \$564,942 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, 2009:

	CDBG Fund	EDBG Fund	EDBG, CDBG Revolving Loan Funds	Total
Mortgage loans	\$ 854,699	\$ 639,908	\$ 280,391	\$ 1,774,998
Less allowance for bad debts	-	(99,200)	-	(99,200)
Total	\$ 854,699	\$ 540,708	\$ 280,391	\$ 1,675,798

City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2009

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, 2009:

Due To		Due From	
General Fund	Sewer Fund	Airport Fund	Sewer Assmt. Fund
98,111	-	98,111	
518	-	518	
2,307	-	2,307	
83,356	-	83,356	
-	7,658	-	7,658
<u>184,292</u>	<u>7,658</u>	<u>191,950</u>	<u>191,950</u>

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	
General Fund	EDBG	CDBG	Total
21,967	-	-	21,967
-	9,075	-	9,075
-	-	5,375	5,375
<u>21,967</u>	<u>9,075</u>	<u>5,375</u>	<u>36,417</u>

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

City Dunsмур, California
Notes To Basic Financial Statements
June 30, 2009

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

June 30, 2009	Retirements and Transfers	Additions and Transfers	June 30, 2008	
\$ 1,081,800	-	\$ -	\$ 1,081,800	Governmental activities:
2,560	-	2,560	1,081,800	Capital assets, not being depreciated:
1,084,360	-	2,560	1,081,800	Land
1,409,864	-	-	1,409,864	Construction in progress
824,289	-	16,297	807,992	Total capital assets, not being depreciated:
2,498,950	-	-	2,498,950	Buildings
4,733,103	-	16,297	4,716,806	Machinery and equipment
1,288,767	-	9,730	1,279,037	Infrastructure
774,869	-	20,941	753,928	Less accumulated depreciation for:
789,704	-	123,576	666,128	Buildings
2,853,340	-	154,247	2,699,093	Machinery and equipment
1,879,763	-	(137,950)	2,017,713	Infrastructure
2,964,123	-	(135,390)	3,099,513	Total accumulated depreciation
				Total capital assets, being depreciated, net
				Business-type activities:
				Capital assets, not being depreciated:
1,718,508	-	-	1,718,508	Land
426,266	-	426,266	253,311	Construction in progress
(253,311)	-	(253,311)	1,971,819	Total capital assets, not being depreciated
2,144,774	-	426,266	426,266	Capital assets, being depreciated:
7,743,890	-	88,869	7,655,021	Utility plant
240,866	-	-	240,866	Buildings
2,643,701	-	247,038	2,396,663	Improvements not buildings
758,756	-	17,670	741,086	Machinery and equipment
11,387,213	-	353,577	11,033,636	Total capital assets, being depreciated

City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2009

	June 30, 2008	Additions and Transfers	Retirements and Transfers	June 30, 2009
Less accumulated depreciation for:				
Utility plant	1,771,804	190,823	-	1,962,627
Buildings	52,651	10,245	-	62,896
Improvements not buildings	765,960	186,693	-	952,653
Machinery and equipment	337,132	98,984	-	436,116
Total accumulated depreciation	2,927,547	486,745	-	3,414,292
Total capital assets, being depreciated, net	8,106,089	(133,168)	-	7,972,921
Capital assets being amortized:				
Organization costs	109,530	-	-	109,530
Less accumulated amortization for:				
Organization costs	72,929	5,742	-	78,671
Total capital assets, being amortized, net	36,601	(5,742)	-	30,859
Subtotal, business-type activities	10,114,509	287,356	(253,311)	10,148,554
Total, government-wide	13,214,022	151,966	(253,311)	13,112,677

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 14,380
Public safety	2,508
Streets and roads	137,359
Total depreciation expense – governmental activities	<u>\$ 154,247</u>
Business-type activities:	
Sewer fund	\$ 142,093
Solid waste fund	29,286
Water fund	140,967
Airport fund	180,142
Total depreciation expense – business-type activities	<u>\$ 492,487</u>

City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2009

NOTE 6 LONG TERM DEBT

The following is a summary of Governmental activities long-term liabilities activity during the year ended June 30, 2009:

	June 30, 2008	Additions	Reductions	June 30, 2009	Current Portion
Bonds and notes payable:					
Fire Fund, equipment	\$ 24,712	\$ -	\$ (24,712)	\$ -	\$ -
So. Dunsmuir Sewer Assessment system	120,000	-	(3,000)	117,000	3,000
Total bonds and notes payable	144,712	-	(27,712)	117,000	3,000
Other liabilities:					
Unpaid pension obligation, prior public	135,221	8,566	(50,320)	93,467	50,320
Safety					
Total Governmental activities	\$ 279,933	\$ 8,566	\$ (78,032)	\$ 210,467	\$ 53,320

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 Dunsmuir 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, :	Principal	Interest	Total
2010	3,000	7,020	10,020
2011	3,000	6,840	9,840
2012	3,000	6,660	9,660
2013	3,000	6,480	9,480
2014	3,000	6,300	9,300
2015-2019	21,000	28,200	49,200
2020-2024	27,000	21,240	48,240
2025-2029	37,000	11,940	48,940
2030-2033	17,000	1,500	18,500
	<u>\$ 117,000</u>	<u>\$ 96,180</u>	<u>\$ 213,180</u>

So. Dunsmuir Sewer Assessment
 Interest rate 6.00%
 Maturity date September 2, 2030

**City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2009**

The following is a summary of Business-type activities long-term liabilities activity during the year ended June 30, 2009:

Bonds and notes payable:	2008		2009	
	June 30,	June 30,	June 30,	Current Portion
1974 Sewer Revenue Bonds	\$ 60,000	\$ -	\$ 9,000	\$ 9,000
1974 Sewer Improvement Certificates of Participation	445,000	-	9,000	9,000
2007 USDA Sewer Loan	745,000	-	8,000	9,000
Total sewer fund	1,250,000	-	26,000	27,000
2000 Water Certificates of Participation	480,000	-	60,000	60,000
1994 Water Improvement Certificates of Participation	502,000	-	8,000	10,000
2005 Water System Loan	50,220	-	2,790	2,790
Total water fund	1,032,220	-	70,790	72,790
Total Business-type activities long term liabilities	\$ 2,282,220	\$ -	\$ 96,790	\$ 99,790

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:

Maturity date	1974 Sewer Revenue Bonds		1994 Sewer Certificates of Participation		2007 USDA Sewer Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$9,000	\$2,550	\$9,000	\$19,620	\$9,000	\$30,940
2011	10,000	2,100	10,000	19,215	9,000	30,557
2012	10,000	1,600	10,000	18,765	9,000	30,175
2013	11,000	1,100	11,000	18,315	10,000	29,750
2014	11,000	550	11,000	17,820	10,000	29,325
2015-2019	-	-	62,000	81,360	57,000	139,485
2020-2024	-	-	78,000	65,970	71,000	125,673
2025-2029	-	-	97,000	46,710	87,000	108,630
2030-2034	-	-	120,000	21,173	107,000	87,592
2035-2039	-	-	28,000	1,260	131,000	62,008
2040-2044	-	-	-	-	162,000	30,260
2045-2047	-	-	-	-	75,000	1,615
Total	\$51,000	\$7,900	\$436,000	\$310,208	\$737,000	\$706,010

City Dunsmuir, California
Notes To Basic Financial Statements
June 30, 2009

NOTE 6 LONG TERM DEBT (continued)

	Principal	Interest	Interest rate	Maturity date
2000 Water Certificates of Participation	4.350 - 5.125%	August 14, 2014		
1994 Water Improvement Certificates of Participation	5.13%	May 1, 2035		
2005 Water System Loan	Not applicable	July, 1 2026		

Year Ended June 30, :	2000 Water Certificates of Participation		1994 Water Improvement Certificates of Participation		2005 Water System Loan		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 60,000	\$ 19,340	\$ 10,000	\$ 25,266	\$ 2,790	\$ -	
2011	65,000	16,339	10,000	24,754	2,790	-	
2012	70,000	13,056	11,000	24,241	2,790	-	
2013	70,000	9,600	11,000	23,677	2,790	-	
2014	75,000	5,975	12,000	23,114	2,790	-	
2015-2019	80,000	2,050	72,000	105,626	13,950	-	
2020-2024	-	-	90,000	76,568	13,950	-	
2025-2029	-	-	116,000	69,963	5,580	-	
2030-2034	-	-	149,000	27,009	-	-	
2035-2039	-	-	13,000	666	-	-	
Total	\$ 420,000	\$ 66,360	\$ 494,000	\$ 400,884	\$ 47,430	\$ -	

Year Ended June 30, :	Total	
	Principal	Interest
2010	\$ 99,790	\$ 97,716
2011	106,790	92,965
2012	112,790	87,838
2013	115,790	82,442
2014	121,790	76,784
2015-2019	284,950	328,521
2020-2024	252,950	268,210
2025-2029	305,580	215,302
2030-2034	376,000	135,774
2035-2039	172,000	63,934
2040-2044	162,000	30,260
2045-2047	75,000	1,615
Total	\$ 2,185,430	\$ 1,481,361

NOTE 7 PENSION PLAN

Plan Description – The City's defined benefit pension plan, City of Dunsmuir 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 portion of the California 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

**City Dunsмур, California
Notes To Basic Financial Statements
June 30, 2009**

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 7.00% 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, 2009 was 7.456%. 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, 2009 the City's annual pension cost was \$27,000, which is also the amount the City contributed. The required contribution for the year ended June 30, 2009 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, 2007 was 15 years. The City also paid the employees contributions, which totaled \$24,259 for the year ended June 30, 2009.

Three Year Trend Information:

	June 30, 2009	June 30, 2008	June 30, 2007
Annual Pension Cost (APC)	\$ 27,000	\$ 25,310	\$ 26,621
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, 2007, 2006 and 2005 (the latest available) are for the pool as a whole.

	June 30, 2007	June 30, 2006	June 30, 2005
Actuarial value of assets	\$2,391,434,447	\$2,492,226,176	\$2,588,713,000
Actuarial accrued liability (AAL) – entry age	\$2,611,746,790	\$2,754,396,608	\$2,891,460,651
Unfunded (overfunded) AAL (UAA)	\$ 220,312,343	\$ 262,170,432	\$ 302,747,651
Funded ratio	91.6%	90.5%	89.5%
Covered payroll	\$ 665,522,859	\$ 699,897,835	\$ 755,046,679
UAA as a percentage of covered payroll	33.1%	37.5%	40.1%

Schedule of funding progress:

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, 2009 the South Dunsuir Sewer Assessment Fund had a deficit fund balance of \$4,971. 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 OVEREXPENDITURE OF BUDGET

For the year ended June 30, 2009 the following funds over expended the approved budget by the following amounts:

General fund	(\$ 175,587)
CDBG fund	(46,681)

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, 2009 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.

City of Dunsuir
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 282,357	\$ 282,353	\$ 272,938	\$ (9,415)
Sales and use taxes	69,299	72,943	66,259	(6,684)
Transient occupancy taxes	142,769	136,403	110,953	(25,450)
Franchise and other licenses	70,237	65,116	54,867	(10,249)
Licenses and permits	23,978	23,552	25,958	2,406
Intergovernmental revenues	494,951	501,290	745,506	244,216
Charges for services	37,079	45,169	25,525	(19,644)
Fines, forfeitures and penalties	8,577	8,698	6,606	(2,092)
Use of money and property	7,616	10,682	11,249	567
Other	226,531	240,152	218,371	(21,781)
Total revenues	1,363,394	1,386,358	1,538,232	151,874
EXPENDITURES				
Current:				
City council	5,063	2,123	2,007	116
City administrator	75,589	76,868	72,168	4,700
City clerk	4,122	6,250	6,926	(676)
City attorney	11,873	11,758	5,164	6,594
Planning	27,449	40,738	27,709	13,029
Finance and administration	152,475	140,392	123,092	17,300
Building inspection	33,127	24,671	21,200	3,471
Police protection	500,209	500,233	477,407	22,826
Fire protection	110,832	114,991	109,293	5,698
Streets and roads	281,537	277,935	516,363	(238,428)
Buildings and grounds	45,964	51,775	53,379	(1,604)
Health and welfare	1,327	2,510	2,435	75
Community promotion	661	750	5,323	(4,573)
Capital outlay	-	-	4,115	(4,115)
Total expenditures	1,250,228	1,250,994	1,426,581	(175,587)
Excess of revenues over (under) expenditures	113,166	135,364	111,651	(23,713)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	(34,500)	(37,464)	(21,967)	15,497
Total other financing sources (uses)	(34,500)	(37,464)	(21,967)	15,497
Excess of revenues and other sources over (under) expenditures and other uses	\$ 78,666	\$ 97,900	\$ 89,684	\$ (8,216)

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, 2009

Favorable (Unfavorable) Variance With Final Budget	Actual Amounts	Final Budget	Original Budget	
				REVENUES
				Intergovernmental revenues
				Use of money and property
				Other
				Total revenues
				EXPENDITURES
				Current:
				Community and economic development
				Excess of revenues over (under) expenditures
				OTHER FINANCING (USES)
				Operating transfers in
				Operating transfers out
				Total other financing sources (uses)
				Excess of revenues over expenditures and other uses

\$ 71,985	\$ 76,996	\$ 5,011	\$ 650
472	1,371	899	1,069
8	53	45	38
72,465	78,420	5,955	1,757
(46,681)	85,146	38,465	30,812
25,784	(6,726)	(32,510)	(29,055)
(26,399)	-	26,399	20,000
(1,754)	(5,375)	(3,621)	(28,905)
(28,153)	(5,375)	22,778	(8,905)
\$ (2,369)	\$ (12,101)	\$ (9,732)	\$ (37,960)

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

City of Dunsmuir
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2009

	Special Revenue										South	
	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	Dunsmuir Sewer Assessment Fund	Total
ASSETS												
Cash	\$ 53,341	\$ 209	\$ -	\$ -	\$ 75	\$ 2,144	\$ 45,803	\$ 61,632	\$ 63,560	\$ 103,468	\$ -	\$ 330,232
Receivables:												
Loans (net of allowance for doubtful accounts)	-	-	-	-	1,000	-	-	540,708	149,162	131,229	-	821,099
Intergovernmental	7,995	764	1,065	4,716	-	-	-	-	-	-	2,687	15,560
Assessments	-	-	-	-	-	-	6,021	-	-	-	-	6,708
Total assets	\$ 61,336	\$ 993	\$ 1,065	\$ 4,716	\$ 1,075	\$ 2,144	\$ 51,824	\$ 602,340	\$ 212,722	\$ 234,697	\$ 2,687	\$ 1,175,599
LIABILITIES AND EQUITY												
Liabilities:												
Accounts payable	\$ 83	\$ 446	\$ 450	\$ 2,409	\$ -	\$ 2,144	\$ -	\$ 638	\$ -	\$ -	\$ -	\$ 6,170
Due to other funds	-	-	518	2,307	-	-	-	-	-	-	7,658	10,483
Total liabilities	83	446	968	4,716	-	2,144	-	638	-	-	7,658	16,653
Equity:												
Fund balance (deficit):												
Reserved for noncurrent receivables	-	-	-	-	-	-	-	540,708	149,162	131,229	-	821,099
Unreserved:												
Designated for:												
Streets and roads	61,253	547	97	-	1,075	-	-	-	-	-	-	62,972
Public safety	-	-	-	-	-	-	51,824	-	-	-	-	51,824
Community and economic development	-	-	-	-	-	-	-	60,994	63,560	103,468	-	228,022
Total	61,253	547	97	-	1,075	-	51,824	60,994	63,560	103,468	-	342,818
Undesignated	-	-	-	-	-	-	-	-	-	-	(4,971)	(4,971)
Total equity	61,253	547	97	-	1,075	-	51,824	60,1702	212,722	234,697	(4,971)	1,158,946
Total liabilities and equity	\$ 61,336	\$ 993	\$ 1,065	\$ 4,716	\$ 1,075	\$ 2,144	\$ 51,824	\$ 602,340	\$ 212,722	\$ 234,697	\$ 2,687	\$ 1,175,599

City of Dunsuir
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2009

	Special Revenue										South Dunsuir Sewer Assessment Fund	Total	
REVENUES													
Assessments													
Intergovernmental revenues													
Use of money and property													
Total revenues	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
	49,214	10,321	13,578	29,217	1,000	31,049	25,893	2,224	1,153	2,127	8,600	136,603	14,821
	364	20	204	72	32	-	1,390	9,468	-	-	-	14,821	-
	49,578	10,341	13,782	29,289	1,032	31,049	27,273	11,692	1,153	2,127	8,601	166,917	-
EXPENDITURES													
Current:													
Streets and roads	3,407	14,606	20,556	29,289	2,600	53,016	-	-	-	-	-	-	123,474
Transit assistance	41,278	-	-	-	-	-	-	112,350	-	-	-	-	41,278
Community and economic development	-	-	-	-	-	-	14,742	-	-	-	-	-	14,742
Capital outlay	-	-	-	-	-	-	24,701	-	-	-	3,000	-	27,701
Debt service:	-	-	-	-	-	-	124	-	-	-	7,110	-	7,234
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	44,685	14,606	20,556	29,289	2,600	53,016	39,567	112,350	-	-	10,110	326,779	-
Excess of revenues over (under) expenditures	4,893	(4,265)	(6,774)	-	(1,568)	(21,967)	(12,294)	(100,656)	1,153	2,127	(1,509)	(140,862)	-
OTHER FINANCING SOURCES (USES)													
Operating transfers in	-	-	-	-	-	21,967	-	-	9,075	5,375	-	36,417	-
Operating transfers out	-	-	-	-	-	-	-	(9,075)	-	-	-	(9,075)	-
Total other financing sources (uses)	-	-	-	-	-	21,967	-	(9,075)	9,075	5,375	-	27,342	-
Excess of revenues and other sources over (under) expenditures and other uses	4,893	(4,265)	(6,774)	-	(1,568)	-	(12,294)	(109,733)	10,228	7,502	(1,509)	(113,520)	-
FUND BALANCE													
Beginning of year	56,360	4,812	6,871	-	2,643	-	64,118	711,435	202,494	227,195	(3,462)	1,272,466	-
End of the year	\$ 61,253	\$ 547	\$ 97	\$ -	\$ 1,075	\$ -	\$ 51,824	\$ 601,702	\$ 212,722	\$ 234,697	\$ (4,971)	\$ 1,158,946	-